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PP RUEHAG
DE RUEHDM #1952/01 1201331
ZNY CCCCC ZZH
P 301331Z APR 06
FM AMEMBASSY DAMASCUS
TO RUEHC/SECSTATE WASHDC PRIORITY 8628
INFO RUEHTV/AMEMBASSY TEL AVIV PRIORITY 0934
RHEHNSC/NSC WASHDC PRIORITY
RUMICEA/USCENTCOM INTEL CEN MACDILL AFB FL PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RHEHAAA/WHITE HOUSE WASHDC PRIORITY
RUCNDT/USMISSION USUN NEW YORK PRIORITY 0097
RUCNMEM/EU MEMBER STATES COLLECTIVE

C O N F I D E N T I A L SECTION 01 OF 02 DAMASCUS 001952

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NEA/ELA
NSC FOR ABRAMS/DORAN/SINGH
TREASURY FOR GLASER/LEBENSON
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E.O. 12958: DECL: 04/26/2016
TAGS: [EAIR](#) [ECON](#) [ETTC](#) [SY](#) [SANC](#)
SUBJECT: AIRLINES IN SYRIA SEEKING TO OBTAIN AIRCRAFT

REF: DAMASCUS 1811

Classified By: CDA Stephen Seche for reasons 1.4 b/d

11. (C) Summary: According to a recently commissioned International Civil Aviation Organization (ICAO) report, only four to six of Syrian Arab Airlines' 16 airplanes are currently fit to fly. As a result of U.S. sanctions, SyrianAir is facing difficulty obtaining U.S. or European-sourced aircraft, and is considering purchasing Russian airframes to update its fleet. In an effort to ameliorate the problems associated with SyrianAir's flight capabilities, the SARG recently licensed 12 private airlines. At least three of the new licensed private airlines - Al Sharqiya Airlines, Eagle Airlines, and Global Express Airlines - are exploring wet and dry lease options with a number of aircraft companies in order to begin charter flights, which their owners hope will ultimately lead to the development of full-fledged commercial airlines. While the airline representatives were seemingly nonplussed about the challenges posed by U.S. sanctions, they admitted that the establishment of private airlines in Syria posed a significant threat to the viability of SyrianAir. End summary.

12. (U) An article in government-controlled al-Thawra newspaper reported that on April 28 a delegation from Russian Ilyushin company met with Syrian Minister of Transportation Yarob Sulieman Bader to provide samples and specifications of Russian aircraft. The visit succeeds previous press reports that the Ministry of Transportation is considering the purchase of new Russian aircraft as one possible option in updating the fleet operated by SyrianAir. According to the articles, Bader believes that U.S. trade sanctions will continue to inhibit Syrian Air from obtaining new Boeing or Airbus airframes or spare parts for existing planes. Bader's statements follow recent meetings held with the ICAO to evaluate the safety of SyrianAir's current fleet and explore possible options - such as leasing aircraft (reftel) or purchasing sanctions-compliant airframes - to improve SyrianAir's flight capabilities.

13. (C) In addition to SyrianAir, several newly licensed private airlines are also exploring options for purchasing or leasing aircraft. At least twelve licenses for private airplanes have been approved under Investment Law number 10 since June 2005. The first license was granted to Abou Shaar Group, which will invest approximately USD 40 million to

establish Al Sharqiya Airlines. Owner Bourhan Abou Shaar says that while Gulf investors are interested in investing in his airline project, he does not believe that they will commit funds until Al Sharqiya aircraft receive certification from the Syrian Civil Aviation Directorate. Initially Abou Shaar wants to lease to buy two turbo-prop planes: one with a 30-passenger capacity and the other with a 75-passenger capacity to fly both domestic and regional routes. He is currently exploring options with Stork Aerospace (Fokker), Air Desert Pacific, Empresa, and Saab. In the first phase of the project, Al Sharqiya Airlines will operate as a private charter airline catering to foreign oil companies, Syrian expatriates returning for the holidays, and Muslim travelers making the annual hajj pilgrimage. Additionally, Abou Shaar is exploring the possibility of partnering with SyrianAir in a code-share agreement in order to allow for more domestic flight options. Abou Shaar told us that for the second phase of his airline project (which he believes will begin in a year or two), he wants to obtain a Boeing 737 or Airbus 320 to provide more regional flight options for Syrian travelers, and ultimately hopes to be approved for regular flight routes and maintenance facilities. However he admits that the regime has historically viewed private airlines in Syria as competition to state-owned SyrianAir, and thus has deliberately created obstacles to prevent them from succeeding.

14. (C) Anas al Madani, owner of one of the only private FM radio and TV channels in Syria, holds a license for recently established Eagle Airlines. Madani and an unnamed Syrian MP own Eagle Airlines and originally planned to invest USD 250 million, which Madani says was reduced to USD 100 million once he and his business partner decided to lease instead of

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purchase aircraft. Madani claims that Eagle Airlines, along with all other private airlines in Syria, must wait for a determination on whether used aircraft can be imported into Syria duty-free under Investment Law number 10. (Note: The law currently only allows duty-free import for new equipment and otherwise the equipment must be imported and taxed under Syria's Commercial Law. End note.) Madani is seeking to lease up to four Boeing and Airbus mid-size passenger jets from companies in India, Ukraine, Turkey, and Cyprus, and plans to initially offer charter flights both regionally and to Europe and Southeast Asia. Ultimately he plans to develop his project into a commercial airline. Madani told us that he would like to pursue both "dry lease" and "wet lease" agreements for Eagle Airlines aircraft, and indicated that a wet lease was more likely under U.S. sanctions. Unlike SyrianAir, Madani stated that he does not believe that a wet lease (which specifies that the aircraft remains under the full control of the leasing company) would threaten his company's national identity.

15. (C) Saleh Al Aroud, Managing Director of RusAviation, believes that Global Express Airlines is likely to be the most successful private airline in Syria because, unlike his competitors, Al Aroud has significant experience operating RusAviation - a Kyrgyzstan charter and cargo airline based in Dubai that allegedly contracts with the U.S. military in Iraq. Though Global Express Airlines is licensed to Muafaq Hosni Alhabashi, Al Aroud (a Syrian-Russian dual national) is assisting with the establishment of the airline. Aroud said that Global Express Airlines has not yet opened an office in Damascus and has thus far only invested about USD 50,000, as it is waiting on the Syrian Civil Aviation Directorate to determine the rules and regulations for used aircraft before it proceeds. Aroud is pursuing investment from Syria, Turkey and Dubai, and is looking at both dry and wet lease options for aircraft. He prefers a dry lease with a lease-to-buy option, but asserts that the Civil Aviation Directorate has no objections to wet leases. Aroud told us that he is initially planning to lease one turbo-prop cargo plane because Syrian Air is not operating any, and is currently in discussions with Iceland Air and Fokker on the lease options.

In the second stage of his project, he wants to operate passenger routes to Sharjaa, Dubai, Turkey, Jordan, and Iraq.

Aroud mentioned the recent visit of the ICAO technical team, as well as UNDP's and ICAO's willingness to negotiate aircraft leases for Syrian Air (reftel). Aroud claims that ICAO is prohibited from conducting similar negotiations for potential operators (such as the emerging Syrian private airlines) until they receive approval and certification from the Syrian Civil Aviation Directorate.

16. (C) Comment: As reftel reported, SyrianAir faces serious flight safety concerns that SARG officials are anxious to blame on U.S. sanctions. As these private airline initiatives highlight, the SARG has options other than buying new Boeing or Airbus planes for SyrianAir. But because the establishment of private airlines in Syria poses a threat to Syrian Air and its customer base, the necessary approval from the Civil Aviation Directorate will likely not be expeditiously granted. Nevertheless, it will be increasingly incumbent on the SARG to choose between continuing to allow its national carrier to fly unsafe aircraft or open up to private investment.

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